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**EDMONDS MAN IS SENTENCED FOR HIS ROLE IN A
WIRE TRANSFER NETWORK THAT FUNNELED OVER \$12 MILLION TO IRAQ**

John McKay, United States Attorney for the Western District of Washington, Leigh H. Winchell, Special Agent in Charge, U.S. Immigration and Customs Enforcement (ICE), and Steve Pasholk, Special Agent in Charge of the Criminal Investigation Division, Internal Revenue Service today announced that HUSSEIN ALSHAFEI of Edmonds has been sentenced by Chief Judge John C. Coughenour to eight months in prison followed by three years of supervision plus a fine of \$5,000 for his role in transferring in excess of \$12,000,000 in cash and goods to Iraq between 1996 and 2002.

Judge Coughenour also granted the government's motion to forfeit funds in two ALSHAFEI bank accounts which the defendant had used to facilitate his criminal activity; the Court also ordered the forfeiture of the equity in the defendant's Edmonds residence as the result of a bond violation while on pre-trial release.

In June, HUSSEIN ALSHAFEI had entered a plea of guilty to a felony charge of money laundering in connection with the transfer of funds and economic resources to persons in Iraq between 1996 and 2002 in violation of the United States sanctions against that country. The guilty plea followed the filing of a Superseding Information charging ALSHAFEI with a conspiracy to engage in monetary transactions in criminally derived property of a value greater than \$10,000. ALSHAFEI also admitted that he had under-reported the income he earned from this activity on his federal tax returns.

HUSSEIN ALSHAFEI and others were indicted in December 2002 following an investigation by Seattle ICE agents into ALSHAFEI'S activities which he operated through

a business named ALSHAFEI FAMILY CONNECT INC. and a coordinated investigation by agents of the Internal Revenue Service into ALSHAFEI'S income tax returns.

According to papers filed today in federal court, ALSHAFEI began collecting money from members of the Northwest Iraqi immigrant community in order to facilitate a business in Bagdad operated by his brother-in-law, identified as Abu Haider. The money collected in the Edmonds area and later in other cities throughout the United States was used to enable Abu Haider to pay for various commodities worldwide. ALSHAFEI'S role was essential to the operation because Abu Haider was unable to transfer funds abroad from Iraq to acquire these goods.

HUSSEIN ALSHAFEI, a naturalized U.S. citizen, acknowledged in his guilty plea that while members of the Iraqi immigrant community contributed funds to assist family members who remained in Iraq, ALSHAFEI'S motives included profiteering from their situation. ALSHAFEI charged between 4% and 6% for this service and, as he also acknowledged, he did not truthfully report on his federal income tax returns the amount of money he was earning through AFCI.

According to the investigation, HUSSEIN ALSHAFEI collected more than \$12 million which was transmitted to overseas corporate accounts or accounts controlled by his brother-in-law who would then deliver cash to persons in Iraq – all in violation of U.S. law – which prohibited direct or indirect fund transfers to Iraq. On many occasions various corporations shipped goods to Iraq after receiving these deposits. These goods, acquired for unknown purposes, and later sold in Iraq permitted Abu Haider to make payments in Iraq to the family members and friends of U.S. residents who had deposited money with the defendant. Additional cash was available to Abu Haider as well based on funds directly transferred by ALSHAFEI to bank accounts in Amaan, Jordan to which Haider had access.

United States Attorney McKay praised the work of the ICE agents in Seattle and throughout the country who made this investigation a priority. The sanctions against Iraq maintained by all of the United States Presidents between 1990 and 2002 were in addition to the United Nations sanctions imposed on that country during the reign of Sadaam Hussein. U.S. Attorney McKay said it was important to pursue those who violate trade sanctions especially in cases where the sanctions, such as those with respect to Iraq,

have been imposed pursuant to United Nations Resolutions and in the interest of United States national security. The President lifted those sanctions in May 2003 because the regime that the sanctions were directed against no longer ruled Iraq.

This case was prosecuted by Assistant United States Attorneys Francis J. Diskin and Tessa M. Gorman. For questions, please contact Assistant U.S. Attorney John Harting at (206) 553-4110.